

<b>Name of Policy</b>	Budget Policy
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## 1. Purpose of the policy

The purpose of this policy is to establish a framework for the compilation of annual and adjustments budgets and to set minimum financial ratios and norms to be achieved or maintained during a financial year.

## 2. Legislative environment

This policy is informed by the Municipal Finance Management Act (MFMA), the Municipal Budget and Reporting Regulations of 2009 (MBRR), periodic MFMA Budget and other Circulars issued by the National and the Gauteng Provincial Treasuries and other applicable legislation.

Regulation 7 of the Municipal Budget and Reporting Regulations of 2009 requires, “The municipal manager of a municipality must prepare or take all reasonable steps to ensure the preparation of budget-related policies of the municipality, or necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21(1) (b) of the Act”

Listed among the budget-related policies is the following policy:

“(m) – any policies related to budget implementation and monitoring including –

- i. A policy dealing with the shifting of funds within votes
- ii. A policy dealing with the introduction of adjustments budgets
- iii. Policies dealing with unavoidable and unforeseen expenditure
- iv. Policies dealing with management and oversight”

The shifting of funds within votes is addressed by the virements policy of the municipality.

## 3. Policy

3.1 The compilation of the budget must be in line with the Municipal Finance Management Act (MFMA), Municipal Budget and Reporting Regulations of 2009, Regulations on the Standard Chart of Accounts for Local Government of 2014 and MFMA Circulars issued annually by National or Gauteng Provincial Treasury and requirements of other regulatory bodies e.g. NERSA.

3.2 Budget compilation must be in line with imperatives that Council has determined as strategic objectives which objectives are as reflected in the Integrated Development Plan (IDP) and the annual Service Delivery and Budget Implementation Plan (SDBIP).

- 3.3 The budget must provide for the achievement or maintenance of financial ratios and other norms as approved by Council in its financial plan or as set by the National or Provincial Treasury in relevant circulars.
- 3.4 The municipal will for every financial year compile a zero-based budget but take into consideration the growth parameters set by the National Treasury in the relevant budget circular.
- 3.5 Expenditure will only be appropriated in the budget when the sources of funding have been considered, are available and are not committed for another purpose.
- 3.6 Submissions of budget inputs by municipal clusters must be in the format required, within the time frames approved by council as contained in the budget process plan.
- 3.7 A Budget panel comprising of the Executive Mayor, the Municipal Manager, the Chief Financial Officer, the Head: Strategic Management Support, the Member of the Mayoral Committee responsible for Finance and Revenue, Member of the Mayoral Committee responsible for Public Safety, and the Member of the Mayoral Committee responsible for Corporate and Governance must be established to give political advice to the Executive Mayor in the discharge of his responsibilities required in terms of section 52 of the Municipal Finance Management Act.
- 3.8 A Budget Steering Committee must be established in line with the Municipal Budget and Reporting Regulations of 2009 to give technical advice to the Executive Mayor in the discharge of his responsibilities required in terms of section 52 of the Municipal Finance Management Act.
- 3.9 Final budget allocations will be determined by the budget steering committee before consideration by the Mayoral Committee and Council.
- 3.10 Revenue to be included in the annual and adjustments budget of the municipality shall be determined in terms of the Funding and Reserves Policy of the municipality.
- 3.11 No expenditure may be incurred unless budgetary provision has been made for it in the approved budget by council. The availability of budget must be confirmed with the Chief Financial Officer.

- 3.12 The availability of cash must always be considered before expenditure is incurred or commitments are made. The availability of cash must be confirmed with the Chief Financial Officer.
- 3.13 Requests for procurement and payment may be verified and approved by the Budget Monitoring and Control Committee (BMCC) as established by the Executive Mayor to ensure compliance with this and any other policy, resolution or strategy of Council.

### **Management and oversight of the budget**

- 3.14 All the cluster heads are responsible for the prudent management of the allocated budget.
- 3.15 The Financial Services Cluster shall on a monthly basis issue variance reports to clusters to enable management of the budget by clusters.
- 3.16 The Financial services cluster shall issue monthly, quarterly and other reports as legislated to committees of Council, the National and the Provincial Treasury.
- 3.17 The Financial services cluster shall provide such management and accounting support and advice to cluster heads as may be necessary to ensure proper financial management.
- 3.18 The Financial services cluster shall formally request on a monthly basis explanations for material variations between actual and budgeted amounts from the cluster heads.
- 3.19 The Budget Monitoring and Control Committee shall meet on regular basis to discuss the financial situation cash position of the municipality.

### **4. Policy review and amendments**

- 4.1 This Policy and its annexures should be reviewed at least annually by the Chief Financial Officer.